



DEFENSE FINANCE AND ACCOUNTING SERVICE

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JUN 14 1996

DFAS-HQ/F

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- CLEVELAND CENTER
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
- DENVER CENTER

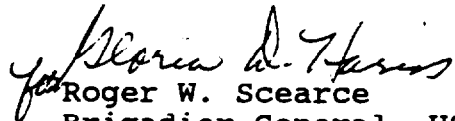
SUBJECT: Proposed Change to Department of Defense Financial
Management Regulation (DoDFMR), Volume 7, Part B,
Proposed Change for December 1995 Cost-of-Living
Adjustment (DFAS Item F-20).

This is an Interim Change Number R4 - 96 to the DoDFMR,
Volume 7B. This change is effective immediately.

We have evaluated your comments on the draft change to the
DoDFMR, Volume 7B. The attached final version of the change
includes your comments where appropriate. Assignment of an
interim change number is your authority to initiate a procedural
modification to facilitate this change.

We have determined that this policy change does not require a
change to the current pay system. For the Denver Center, use the
attached to initiate the formal printed change to the DoDFMR.

Our point of contact, Mr. Fiti Malufau may be contacted at
DSN 327-5061 or Commercial (703) 607-5061. Our Fax number is
DSN 332-5271 or Commercial (703) 602-5271.


Roger W. Searce

Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DASD (MPP) Comp
DGC (F)
DFAS-DE/DG
DFAS-IN
DFAS-KC/FSP
Service Liaisons
USCG/NOAA PHS Liaisons

1. Revise Table 2-1-4, Exempt Amount Based On Cost-Of-Living Increases, to add the following (1 December 1994 information was included in Change R14-95):

<u>Effective Date</u>	<u>Percentage of Increase</u>	<u>Yearly Rate</u>
"1 Dec 1995	2.6 (Note 5)	9,819.69
	1.6 (Note 6)	8,999.27"

2. Revise Table 2-3-1, Service Revert-Rates of Entitlement, following Rule 68 to read as follows:

TABLE 2-3-1						
SERVICE REVERT-RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH AT LEAST 2 YEARS' ACTIVE SERVICE AFTER RECALL)						
R U L E	A	B	C	D	E	F (note 5)
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is (note 4)	increased by COLADJ applicable at time of recomputation	and apply later COLADJ per table 2-3-3, rule
69	1 Dec 94- 31 Dec 94	1 Jan 94	1 Jan 93	1 Jan 93	1.9 + 2.8	36 through end
70	1 Jan 95- 30 Nov 95	1 Jan 95	1 Jan 94	1 Jan 94	2.2	
71	1 Dec 95- 31 Dec 95				2.2 + 2.6	
72	1 Jan 96-	1 Jan 96	1 Jan 95	1 Jan 95	2.0	

3. Revise Table 2-3-2, Disability Revert-Rates of Entitlement, following Rule 66 to read as follows:

TABLE 2-3-2--Continued						
DISABILITY REVERT--RATES OF ENTITLEMENT UPON REVERSION TO RETIRED LIST (10 U.S.C. 1402) (WITH DISABILITY OF AT LEAST 30 PERCENT AFTER RECALL)						
R U L E	A	B	C	D	E	F
	If date of release from active duty is during	and the current active duty rate is	then revert to active duty rate	and entitlement at time of recomputation is	increased by COLADJ applicable at time of recomputation	and apply later COLADJ per table 2-3-3, rule
67	1 Jan 94-30 Nov 94	1 Jan 94	1 Jan 94	1 Jan 94		2.2 and rule 36 through end (See paragraph 20404bz for post-Aug 86 mbr)
68	1 Dec 94-31 Dec 94	1 Jan 94	1 Jan 94	1 Jan 94	2.2 (See paragraph 20404bz for post-Aug 86 mbr)	36 through end
69	1 Jan 95 - 30 Nov 95	1 Jan 95	1 Jan 95	1 Jan 95		2.0
70	1 Dec 95 - 31 Dec 95				2.0 (See paragraph 20404cb for post-Aug 86 mbr)	
71	1 Jan 96	1 Jan 96	1 Jan 96	1 Jan 96		-

4. Revise Table 2-3-3, Cost-of-Living Adjustment (COLADJ) Percentage Table, to show the following addition after No. 35:

TABLE 2-3-3		
COST-OF-LIVING ADJUSTMENT (COLADJ) PERCENTAGE TABLE		
No.	Date of COLADJ	Percent
36	1 Dec 1995 (note 2)	2.6 Pre-Aug 1986 Mbr
		1.6 Post-Aug 1986 Mbr

5. Change paragraph 20403t (from Change R14-95) to read as follows:

"t. The FY 95 DoD Authorization Act and the FY 95 DoD Appropriation Act prohibit the payment of increased retired pay associated with the COLADJ for December 1994 for months before March 1, 1995, excluding disability retirements under 10 U.S.C., chapter 61, and survivor annuities."

6. Add the following new subparagraph 20403u:

"u. In FY 96, the cost-of-living adjustment is effective 1 December 1995. Certain adjustments, however, are not payable for periods before March 1996: increases in retired or retainer pay for members and former members retired on the basis of longevity, age, or non-Regular service (chapter 1223, 10 U.S.C.). Adjustments which are payable beginning 1 December 1995 include the increases in survivor annuities and survivor benefit program costs, retired pay based on disability, and the exclusion amounts for dual compensation."

7. Add the following new subparagraphs to paragraph 20404:

"cb. A COLADJ effective 1 December 1995 provides the following increases: increases in survivor annuities (including SBP base amounts and associated annuities and premiums), retired pay based on disability, and exclusion amounts for dual compensation. Under 10 U.S.C. 1401a(b)(2) and Public Law 104-106, the payment of increased retired pay associated with the FY 96 cost-of-living adjustment is prohibited for all other members for periods before March 1, 1996."

(1) Pre-Aug 1986 members:

(a) Members who first entered service before 1 Aug 1986 and whose retired pay has been computed on active duty basic pay rates in effect before 1 Jan 1995 receive a 2.6 percent adjustment.

(b) Members who first entered service before 1 Aug 1986 and who became entitled to retired pay computed on the 1 Jan 1995 active duty pay rate receive a 2.0 percent adjustment.

(2) Post Aug 1986 members:

(a) Members who first entered service on or after 1 Aug 1986 and who became entitled to retired pay before 1 Jan 1995 receive a 1.6 percent adjustment.

(b) Members who first entered service on or after 1 Aug 1986 and who became entitled to retired pay on or after 1 Jan 1995 receive a pro-rata initial adjustment as follows:

<u>Retired Between</u>	<u>Percent Increase</u>
1 Jan 1995 - 31 Mar 1995	1.3
1 Apr 1995 - 30 Jun 1995	.8
1 Jul 1995 - 30 Sep 1995	.2
1 Oct 1995 - 31 Dec 1995	0

cc. Executive Order 12990 effective 1 January 1996
provides:

(1) Increased basic pay rates.

(2) No increase for members retired before 1 Jan 1996.

(3) Members who retired on 1 Jan 1996 and who were subject to the Uniform Retirement Date Act, warrant officers, Fleet Reservists, and Fleet Marine Corps Reservists (31 Dec 1995 transfers) were not entitled to pay computed on the 1 Jan 1996 basic pay rates."

8. Revise Table 9-5-3, Refund of Monthly Premium for SBP Effective 1 Mar 1983, Step 3 Factors, to add the following:

"December 1995 1.026"

9. Revise Table 9-8-1, SBP Threshold Amount, to show the following change/addition after Rule 19:

Table 9-8-1 (Continued)			
Survivor Benefit Plan Threshold Amount			
R U L E	A	B	C
	If retired pay is based on active duty rates effective	and increased by COLADJ	then the SBP threshold is
20	1 Jan 95 - 2.6%		\$411.00
21		1 Dec 95: Pre-Aug 86 Mbr 2.0% Post-Aug 86 Mbr: If retired Jan - Mar 95 1.3% If retired Apr - Jun 95 .8% If retired Jul - Sep 95 .2% If retired Oct - Dec 95 0%	419.22 416.34 414.29 411.82 411.00
22	1 Jan 96 - 2.4%		421.00

10. Revise Appendix 12 to show the following addition:

"PL 104-57
Eff 1 Dec 95
(Note 1)

E-1	(blank)
E-2	"
E-3	"
E-4	"
E-5	"
E-6	"
E-7	837
E-8	883
E-9	922
Sgt Maj-Army	994
Senior Enl Adv-Navy	994
CH Msgt-Air Force	994
Sgt Maj-Marine Corps	994
MCPO-Coast Guard	994
W-1	855
W-2	889
W-3	916
W-4	969
O-1	855
O-2	883
O-3	945
O-4	999
O-5	1,100
O-6	1,240
O-7	1,339
O-8	1,467
O-9	1,572
O-10	1,724
Chm Joint Chiefs of Staff	1,848
Chief of Staff-Army	1,848
Chief of Naval Ops	1,848
Chief of Staff-Air Force	1,848
Commandant-Marine Corps	1,848
Commandant-Coast Guard	1,848"

11. Revise Appendix 13 to show the following addition:

Year of Retirement	Maximum Pay By Social Security
"1996	\$62,700"

12. Revise Appendix 18 by adding the following after the 1 Dec 1994 entry:

Maximum Monthly Annuity Payable	Minimum Annual Income	Effective From
"457.33	\$ 5,488	1 Dec 1995"

13. Revise Appendix 21 to show the following:

4th Qtr FY 95	1st Qtr FY 96
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3rd Qtr CY 95
"Jul 95 149.9
Aug 95 150.2
Sep 95 150.6

AVG CPI 150.2

4th Qtr CY 95
Oct 95 151.0
Nov 95 150.9
Dec 95 150.9

AVG CPI 150.9"